

MAGELLAN
STATEMENT OF FINANCIAL POSITION
AS OF: March 31, 2008

ASSETS

CURRENT ASSETS

101 Cash (Disclose on Schedule A)	\$67,853,818
102 Current Investments	-
103 Accounts Receivable (net) (Disclose on Schedule A)	\$12,280,766
104 Notes Receivable (current portion)	-
105 Prepaid Expenses	1,987,226
106 Other Current Assets (Disclose on Schedule A)	\$715,787
107 Total Current Assets	<u>\$82,837,597</u>

NON-CURRENT ASSETS

108 Land	-
109 Building	-
110 Leasehold Improvements	3,664,729
111 Furniture and Equipment	8,767,993
112 Vehicles	-
113 Total Property and Equipment	<u>\$12,432,722</u>
114 Less: Accumulated Depreciation	4,075,524
115 Net Property and Equipment	<u>\$8,357,198</u>
116 Notes Receivable (net of current portion)	-
117 Performance Bond (Disclose on Schedule A)	-
118 Long Term Investments	-
119 Deposits	-
120 Other Noncurrent Assets (Disclose on Schedule A)	\$430,185
121 Total Noncurrent Assets	<u>\$8,787,383</u>
122 TOTAL ASSETS	<u><u>\$91,624,980</u></u>

LIABILITIES AND NET ASSETS/EQUITY

CURRENT LIABILITIES

201 Incurred But Not Reported Claims (Disclose on Sch. A)	\$11,044,241
202 Reported But Unpaid Claims	6,468,937
203 Payable to ADHS (Disclose on Schedule A)	\$5,823,624
204 Other Amounts Payable to Providers	863,178
205 Trade Accounts Payable	2,356,979
206 Accrued Salaries and Benefits	-
207 Long-term Debt (current portion)	12,184
208 Deferred Revenue (Disclose on Schedule A)	\$690,000
209 Risk Pool Payable	-
210 Other Current Liabilities (Disclose on Schedule A)	\$22,295,054
211 Total Current Liabilities	<u>\$49,554,197</u>

NON-CURRENT LIABILITIES

212 Long-term debt (net of current portion)	42,880
213 Loss Contingencies (Disclosed on Schedule A)	\$0
214 Other Noncurrent Liabilities (Disclose on Schedule A)	\$1,598,287
215 Total Noncurrent Liabilities	<u>\$1,641,167</u>
216 TOTAL LIABILITIES	<u>\$51,195,364</u>
217 NET ASSETS/EQUITY	
Unrestricted Net Assets	43,906,244
Restricted Net Assets (Disclose on Schedule A)	\$0

218 TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u><u>\$95,101,608</u></u>
	(\$3,476,628)

MAGELLAN
STATEMENT OF FINANCIAL POSITION
AS OF:
Schedule A Disclosures

March 31, 2008

ASSETS:

<u>Cash</u>		
Unrestricted		66,255,531
Restricted		1,598,287
Total Cash		<u>\$67,853,818</u>

Accounts Receivable

ADHS		
Current Year	Program ID	Category ID
	NTXIX/XXI SMI	Dual Eligibles Part D - SMI
	NTXIX/XXI SMI	MHBG
	NTXIX/XXI SMI	Maricopa City IGA
	Other	ASH Superised Care Move
	NTXIX/XXI Child	MHBG
	NTXIX/XXI Child	Maricopa City IGA
	Substance Abuse	SA/Alcohol - Adult
	Substance Abuse	Substance Abuse/Fines
	Substance Abuse	Substance Abuse Prevention Tx
	Substance Abuse	SAPT -Pregnant Women
	Substance Abuse	SAPT-HIV/AIDS Alcohol
	Substance Abuse	Meth Initiative SAPT
	Substance Abuse	Maricopa City IGA
	Substance Abuse	City of Phoenix - LARC '08
	Mental Health	Mental Health-Adult
	Mental Health	Dual Eligibles Part D - MH
	Mental Health	Maricopa City IGA - 08
	ADHS DOC	ADOC-After Care
	ADHS DOC	CTS Positions
	Prevention Intervention	SA Prevention
	Prevention Intervention	Children's Prevention
	Prevention Intervention	SA Prevention TX
	Prevention Intervention	Pregnancy Prevention
	PASRR	PASARR
Prior Year		
	Select Program	Identify category

Non-ADHS &/or Unrelated Business

Current Year		
	ABC Housing Receivable	22,510
	Hope Housing Receivable	48,296
	MCRN Receivable	168,431
	Tax Benefit Receivable	\$4,543,689
	Provider Advances	-
Prior Year		
	Identify Program	Identify Category

Allowance for Doubtful Accounts

Total Accounts Receivable	<u>12,280,766</u>
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Other Current Assets (Detail of Line 106)

Start-up Costs for Maricopa Clinics	715,787
Total Other Current Assets	<u>\$715,787</u>

Other Noncurrent Assets (Detail of Line 120)

Clinic Security Deposits	120,965
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LIABILITIES:

IBNR Claims Estimate

Current Year	11,044,241
FY 07	
Prior Year(s)	
Total IBNR	<u>\$11,044,241</u>

Payable to ADHS (Detail of Line 203)

Current Year	Program ID	Category ID	
	HIFA II SMI	Profit/Risk Corridor	345,770
	NTXIX/XXI Child	Profit/Risk Corridor	134,010
	TXIX Child	Withhold	1,594,017
	TXXI Child	Withhold	86,601
	TXIX SMI	Withhold	2,564,718
	HIFA II SMI	Withhold	22,211
	TXIX GMHSA	Withhold	912,708
	HIFA II GMH	Withhold	14,480
	Admin & Mgmt Gen	Sanctions	149,109
Prior Year			
	Select Program	Identify category	-
Total Payable to ADHS			<u>5,823,624</u>

Deferred Revenue from: (Detail of Line 208)

Current Year	Program ID	Category ID	
	TXIX SMI	SMI TXIX Match	202,950
	TXIX SMI	Prop 204 SMI	412,050
	TXXI Adult	TXIX/CAP/18 YO Svcs	1,500
	HIFA II GMH	HIFA II GMH/SA	73,500
Prior Year			
	Identify Program	Identify Category	

Non-ADHS &/or Unrelated Business

Current Year		
	Identify Program	Identify Category
	Identify Program	Identify Category
Prior Year		
	Identify Program	Identify Category

Total Deferred Revenue	<u>\$690,000</u>
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Other Current Liabilities (Detail of Line 210)

Sales & Use Tax	6,116
Consulting Expenses	234,810
Telephone Expenses	80,000
LOC Interest Expense	3,685
Other Accrued Expenses	2,597,229
Intercompany Magellan Health Services	19,373,214

Total Other Current Liabilities	<u>22,295,054</u>
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Utility Security Deposits	309,220		
Total Other Noncurrent Assets	\$430,185	Loss Contingencies (Detail of Line 213)	
PERFORMANCE BOND:		Identify Loss Contingencies	-
Type of Security & Amount -		Total Loss Contingencies	\$0
Safeco Insurance Company of America	Bond	40,259,363	Other Noncurrent Liabilities (Detail of Line 214)
		Maricopa Comcare Trust	1,598,287
		Total Other Noncurrent Liabilities	\$1,598,287
Adjustments:		Restricted Net Assets (Detail of Line 217)	
Disclose and describe any adjustments made to previously submitted financial statements, including those that affect the current period financial statements.		Identify Restricted Net Assets	-
Payables to ADHS - Other* Category		Total Restricted Net Assets	\$0
Disclose items recorded as "Other" in the category for Payable to ADHS Section			
Explain ≥10% fluctuation in account from prior period			
Describe fluctuation in each account greater than 10%			

Cash	Most of prior month intercompany liability was settled against cash.
Accounts Receivable	Increase in accrued NT revenue in excess of cash received (\$1.7M). Increase in tax benefit receivable (\$1.4M)
Prepaid Expenses	Change in prepaid temp housing
Accum. Depreciation	Change in A/D = approximately 600K/monthly.
IBNR	Claims paid in excess of claims accrued.
RBUCs	Increase in claims reported but not paid.
Payable to Providers	Pharmacy claims liability accrual for Jan-Mar; to be paid in April.
Trade Accounts Payable	Clinic & RBHA admin expenses
Deferred Revenue	Recognition of current revenue that was received in prior months
Other Accrued Liabilities	Intercompany liability settled against cash.

MAGELLAN

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

AS OF : March 31, 2008

			Net Assets / Retained Earnings	Total
	Initial Capital	Additional Capital		
Beginning Balance: July 1, 2007	-	-	-	-
* Net Surplus / Net Earning for the period ended: March 31, 2008	-	50,000,100	(6,093,856)	43,906,244
Dividends Declared		-	-	-
** Prior Period Adjustments	-	-	-	-
Ending Balance: March 31, 2008			-	-
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	-	50,000,100	(6,093,856)	43,906,244

* Net of dividends declared

** Disclosure of Prior Period Adjustments

*DISCLOSE ON SCHEDULE A

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	SSDI - TMC	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
Administrative Expenses:																								
601	Salaries	1,162,756	639,088	106,227	93,054	117,539	-	3,250,021	114,087	1,348,889	10,769	4,297	-	1,083,797	20,364	349,404	210,245	77,339	-	19,798	-	8,607,674	-	8,607,674
602	Employee Benefits	491,212	269,986	44,876	39,311	49,655	-	1,372,988	48,197	569,845	4,549	1,815	-	457,856	8,603	147,608	88,819	32,672	-	8,364	-	3,636,356	-	3,636,356
603	Professional & Outside Services	185,305	101,850	16,929	14,830	18,732	-	517,946	18,182	214,968	1,716	685	-	172,721	3,245	55,683	33,506	12,325	-	3,155	-	1,371,778	-	1,371,778
604	Travel	65,701	36,112	6,002	5,258	6,642	-	183,642	6,446	76,219	609	243	-	61,240	1,151	19,743	11,880	4,370	-	1,119	-	486,375	-	486,375
605	Occupancy	86,276	47,420	7,892	6,905	8,721	-	241,150	8,465	100,087	799	319	-	80,417	1,511	25,926	15,600	5,739	-	1,469	-	638,685	-	638,685
606	Depreciation	81,583	44,841	7,453	6,529	8,247	-	228,033	8,005	94,643	756	301	-	75,043	1,429	24,515	14,752	5,426	-	1,389	-	603,945	-	603,945
607	All Other Operating*	1,515,650	833,051	138,466	121,295	153,212	-	4,236,398	148,712	1,758,275	14,038	5,601	-	1,412,728	26,544	455,448	274,054	100,812	-	25,807	-	11,220,091	149,109	11,369,200
608	Subtotal ADHS Administrative Expenses	3,588,483	1,972,347	327,836	287,181	362,747	-	10,030,179	352,093	4,162,927	33,236	13,260	-	3,344,802	62,846	1,078,328	648,855	238,684	-	61,101	-	26,564,904	149,109	26,714,013
650	Non ADHS Administrative Expenses*	969,084	532,651	92,283	-	86,601	-	2,477,501	87,217	-	17,148	5,063	-	912,708	14,480	-	-	-	-	-	-	5,194,735	25,752	5,220,487
651	Unrelated Admin. Expense*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
652	Subtotal Administrative Expense	4,557,567	2,504,998	420,119	287,181	449,348	-	12,507,680	439,310	4,162,927	50,384	18,323	-	4,257,510	77,326	1,078,328	648,855	238,684	-	61,101	-	31,759,639	174,861	31,934,500
701	Unrelated Business Expenses*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
790	Income Tax Provisions																							
a	ADHS Income Tax Provision	2,665,118	127,506	(279,249)	180,056	(108,150)	-	(785,610)	(356,529)	(3,848,885)	134,125	(301)	-	3,052,189	(30,624)	(5,594,507)	1,816,357	127,909	-	139,274	-	(2,761,322)	-	(2,761,322)
b	Non ADHS Income Tax Provision	(406,705)	(223,543)	(38,729)	-	(36,345)	-	(1,039,758)	(36,603)	-	(7,197)	(2,125)	-	(383,045)	(6,077)	-	-	-	-	-	-	(2,180,126)	534,449	(1,645,677)
799	Subtotal Income Tax Provision	2,258,413	(96,037)	(317,978)	180,056	(144,495)	-	(1,825,368)	(393,133)	(3,848,885)	126,928	(2,426)	-	2,669,144	(36,701)	(5,594,507)	1,816,357	127,909	-	139,274	-	(4,941,448)	534,449	(4,406,999)
800	TOTAL EXPENSES	52,084,769	27,290,155	4,237,795	4,090,030	4,880,918	-	137,213,220	4,487,841	52,829,449	596,579	183,175	-	45,644,769	833,433	9,086,945	10,650,536	3,377,593	24,600	971,167	-	358,482,973	709,310	359,192,283
801	INC(DEC) IN NET ASSETS/EQUITY	3,122,861	(132,796)	(439,891)	248,975	(199,803)	-	(2,524,060)	(543,611)	(5,322,114)	175,513	(3,354)	-	3,690,806	(50,749)	(7,735,904)	2,511,599	176,868	-	192,584	-	(6,832,876)	739,020	(6,093,856)

MAGELLAN
STATEMENT OF CASH FLOWS
YEAR TO DATE FOR PERIOD ENDED:

March 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	(8,111,413)
Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	4,075,524
Changes in Operating Assets and Liabilities	
(Increases)/Decreases in Assets:	
Current Investments	-
Receivables	(13,739,837)
Inventory & Prepaid Expenses	(1,987,226)
Interest Receivable	-
Deposits	(430,185)
Other	(715,787)
Increases/(Decreases) in Liabilities:	
IBNR	11,044,241
RBUC	6,468,937
Accounts Payable to ADHS	5,823,624
Accounts Payable to Providers	863,178
Interest Payable	-
Trade Accounts Payable	2,356,979
Accrued Salaries & Benefits	-
Other Current Liabilities	24,638,405

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	30,286,440
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CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Property & Equipment	-
Purchases of Property & Equipment	(12,432,722)
Proceeds from Sales of Investments	-
Purchase of Investments	-

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(12,432,722)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Acquisition of Debt (Describe on Schedule A)	-
Payment of Lease Obligations	-
Payment of Other Debts (Describe on Schedule A)	-
Additional Paid-In Capital from Parent Company	50,000,000
Common Stock	100

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	50,000,100
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NET INCREASE/(DECREASE) IN CASH	67,853,818
BEGINNING CASH	-
ENDING CASH BALANCE *	67,853,818

***NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET**

MAGELLAN

STATEMENT OF CASH FLOWS

YEAR TO DATE FOR PERIOD ENDED: March 31, 2008

Schedule A Disclosure

Describe:

1. Sources and amounts of cash received for other grants.

2. Underlying transactions for acquisition of debt.

(Debtor, amount, purpose of loan, term, interest rate of debt acquired during the quarter.)

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3. Underlying transactions for retirement of debt.

(Debtor, amount paid off.)

4. Cash Flows From Financing Activities - Payment of Other Debt

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5. Supplemental data or non-cash investing and financing activities, gifts, etc.